

**CHAPTER NO. 651**

**HOUSE BILL NO. 2739**

**By Representative Rinks**

**Substituted for: Senate Bill No. 2825**

**By Senator Ramsey**

AN ACT to amend Tennessee Code Annotated, Title 6, Chapter 1, Part 2; Title 6, Chapter 18, Part 1; and Title 6, Chapter 30, Part 1, relative to the distribution of situs-based tax collections after new municipal incorporations.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 6, Chapter 1, Part 2, is amended by adding the following as a new section:

Section 6-1-2\_\_\_. (a) Notwithstanding any provisions of law to the contrary, whenever a new municipality incorporates under any form of charter, the county or counties in which the new municipality is located shall continue to receive the revenue from all state and local taxes distributed on the basis of situs of collection, generated within the newly incorporated area, until July 1 following the incorporation, unless the incorporation takes effect on July 1.

(b) If the incorporation takes effect on July 1, then the municipality shall begin receiving revenue from such taxes generated within its corporate boundaries for the period beginning July 1.

(c) Whenever a municipality incorporates, the municipality shall notify the Department of Revenue of such incorporation prior to the incorporation becoming effective for the purpose of tax administration.

(d) Such taxes shall include the local sales tax authorized in § 67-6-103, the income tax on dividends authorized in § 67-2-102, and all other such taxes distributed to counties and municipalities based on the situs of their collection.

SECTION 2. Tennessee Code Annotated, Title 6, Chapter 18, Part 1, is amended by adding the following as a new section:

Section 6-18-1\_\_\_. (a) Notwithstanding any other provision of law to the contrary, whenever a new municipality incorporates under any form of charter, the county or counties in which the new municipality is located shall continue to receive the revenue from all state and local taxes distributed on the basis of situs of collection, generated within the newly incorporated area, until July 1 following the incorporation, unless the incorporation takes effect on July 1.

(b) If the incorporation takes effect on July 1, then the municipality shall begin receiving revenue from such taxes generated within its corporate boundaries for the period beginning July 1.

(c) Whenever a municipality incorporates, the municipality shall notify the Department of Revenue of such incorporation prior to the incorporation becoming effective for the purpose of tax administration.

(d) Such taxes shall include the local sales tax authorized in § 67-6-103, the income tax on dividends authorized in § 67-2-102, and all other such taxes distributed to counties and municipalities based on the situs of their collection.

SECTION 3. Tennessee Code Annotated, Title 6, Chapter 30, Part 2, is amended by adding the following as a new section:

Section 6-30-2\_\_\_. (a) Notwithstanding any other provision of law to the contrary, whenever a new municipality incorporates under any form of charter, the county or counties in which the new municipality is located shall continue to receive the revenue from all state and local taxes distributed on the basis of situs of collection, generated within the newly incorporated area, until July 1 following the incorporation, unless the incorporation takes effect on July 1.

(b) If the incorporation takes effect on July 1, then the municipality shall begin receiving revenue from such taxes generated within its corporate boundaries for the period beginning July 1.

(c) Whenever a municipality incorporates, the municipality shall notify the Department of Revenue of such incorporation prior to the incorporation becoming effective for the purpose of tax administration.

(d) Such taxes shall include the local sales tax authorized in § 67-6-103, the income tax on dividends authorized in § 67-2-102, and all other such taxes distributed to counties and municipalities based on the situs of their collection.

SECTION 4. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: March 11, 1998**

  
JIMMY RAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

**APPROVED this 24th day of March 1998**

  
DON SUNDQUIST, GOVERNOR